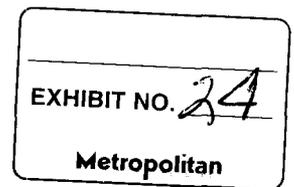


## Marketing Services

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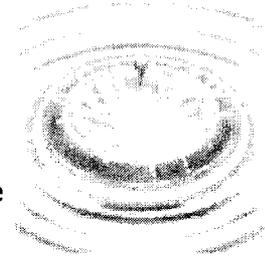


DFA offers the following Marketing Services for one reason—you. We are here to do everything we can to make sure you receive the milk prices you deserve.


### Forward Contracting Overview

DFA members can lock in milk prices for weeks or months into the future. All it takes is a phone call—no brokers, no margin calls.

DFA's forward contracting service gives members the opportunity to plan ahead by knowing what their milk price will be in advance. DFA's forward pricing program is designed to reduce the risk of unexpected loss of income as a result of falling markets. It can help members do a better job of planning and budgeting by providing downside price protection in today's volatile markets.



Contracting with DFA is easy and requires little time or effort on the part of members. Here's how it works:

- Participants sign a Forward Contract for Delivery Master agreement. This can be done prior to placing an order.
- Contact the DFA forward contract department to arrange your contract. Contract transactions must be for a minimum of 20,000 pounds of monthly milk volume, with additional increments of 5,000 pounds.
- Contracts are limited to 75 percent of the member's average monthly production
- Place your contract order. Production can be contracted on a per hundredweight basis for 12 months in advance. Prices will vary from month to month. Daily market closing prices are available toll-free, 24-hours a day, by calling 877-424-3343.
- Program pricing tools and requirements are subject to change.

When a member receives his/her milk check from DFA for the delivery period of the contract, adjustments are made to the milk check equal to the difference between the forward contract price (FCP) and the Class III (or Class IV) USDA announced price multiplied by the volume contracted. The Class III price makes up a major part of the producer pay price in most Federal Orders.

Note: By comparing the USDA announced Class III price to your pay price, you can determine your basis (difference between the cash and futures price). With this information you can estimate your pay price based on your FCP.

**For more information contact Shonda Wills at 816-801-6412 or Jennifer Harr at 816-801-6424. For daily market closing prices call toll-free 877-424-3343.**

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### Standard Fixed Price Contract

The Standard Fixed Price Contract allows the producer to choose any month currently trading on the Chicago Mercantile Exchange ("CME"), and establish a fixed price for that month. Each monthly contract is based on a specified quantity and future delivery month for the Class III or Class IV portion of the milk check. The producer may contract any combination of months for an entire year. Dairy Farmers of America, Inc. ("DFA") will contract with the member for \$ .10/cwt under where the CME contract is sold on the futures market.

The \$ .10/cwt is to cover DFA's administrative costs and there are no additional out of pocket expenses.

At the end of the contract:

- If the contracted price is higher than the announced USDA Class III or Class IV price, the producer will receive the difference on the final milk check for the contracted pounds.
- If the announced Class III or Class IV price is above the contracted price, the producer would give back the difference on the final milk check for the contracted pounds.

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### **Standard Minimum Price Contract**

The Standard Minimum Price Contract allows the producer to choose any month(s) currently trading on the Chicago Mercantile Exchange ("CME"), to establish a minimum price (floor price) for that month(s) by paying a premium. Each monthly contract is based on a pre-established minimum price, quantity and future month of delivery for the Class III or Class IV portion of the milk check. If, at the end of the protected period, the market has moved higher than the established minimum price, the producer would forego the minimum price. The producer pays a \$.05/cwt. administrative fee, which is deducted with the premium from the final milk check during the protected month.

At end of the protected period:

- If the minimum contracted price is higher than the announced USDA Class III price, the producer will receive the difference on the final milk check for the contracted pounds, less the premium and \$.05/cwt administrative fee.
- If the announced Class III price is at or above the minimum contracted price, only the premium and administrative fee for the contracted pounds will be deducted on the final milk check.

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[DFA Forward Contracting information \(pdf\)](#)